

The Washington City Council met in a regular session on Monday, October 9, 2006 at 4:30 p.m. in the Council Chambers at the Municipal Building. Present were: Judy Jennette, Mayor; Darwin Woolard, Mayor Pro tem; Ed Gibson, Councilman; Richard Brooks, Councilman; Archie Jennings, Councilman; Mickey Gahagan, Councilman; James Smith, City Manager; Franz Holscher, City Attorney; and Rita A. Thompson, City Clerk.

Also present were: Carol Williams, Finance Director; Julie Hicks, Library Director; Joey Toler, DWOV Director; Jimmy Davis, Fire Chief; Bobby Roberson, Community Development Planning Director; Keith Hardt, Electric Director; Major Sandy Blizzard, Police Department; Susan Hodges, Human Resources Director; Allen Lewis, Public Works Director; and Mike Voss, of the Washington Daily News.

Mayor Jennette called the meeting to order, and Councilman Gibson delivered the invocation.

APPROVAL/AMENDMENTS TO AGENDA

Councilman Jennings asked that item I.F. be moved to Item VI.A.5. Councilman Gahagan asked that item I.C. be moved to VI.B. 3 with the Presentation on the Electric Shortfall. Mayor Jennette asked that under item VI.B.3 list items as (a) Revised electric rates (b) Adjustment to wholesale power costs, and (c) Adopt Budget Ordinance Amendment for General Fund (\$1,193,505).

On motion of Councilman Gahagan, seconded by Councilman Gibson, Council unanimously approved the agenda, as amended.

APPROVAL OF MINUTES OF SEPTEMBER 19 AND SEPTEMBER 25, 2006

On motion of Councilman Gahagan, seconded by Councilman Jennings, Council unanimously approved the minutes of September 19 and September 25, 2006, as submitted.

APPROVAL OF CONSENT AGENDA

On motion of Councilman Jennings, seconded by Councilman Brooks, Council unanimously approved the Consent Agenda, as follows:

- A. Information Only – Rework Public Work Shelter
- B. Information Only – Replacement of HVAC at Civic Center
- C. **MOVED TO VI.B. 3.(c) Adopt** – Budget Ordinance Amendment for General Fund (\$1,193,505)
- D. Adopt – Resolution to authorize the City Manager to execute a lease between the City of Washington and Potter's House of Beaufort County, Inc.

RESOLUTION TO LEASE 401 NORTH HARVEY STREET TO POTTER'S HOUSE OF BEAUFORT COUNTY

WHEREAS, the City of Washington ("City") owns a vacant, unimproved lot ("lot") located on the corner of Harvey Street and Martin Luther King, Jr. Drive, also being known as 401 North Harvey Street, that the City finds it does not currently have use for; and

WHEREAS, the City Council therefore finds the lot is currently surplus to the City's needs and will not be needed by the City for the term, including extension, of the lease purposed hereby; and

WHEREAS, Potter's House of Beaufort County ("Potter's House") operates, among other things, Trinity and Potter's House, which are residential homes, as well as the Phoenix Center, which is a day treatment center, for children within the City of Washington; and

WHEREAS, Potter's House needs an outdoor area to support its various programs and provide educational as well as recreational services to its consumers in conjunction with its programs and proposes to utilize the lot for these purposes by making certain improvements to the same; and

WHEREAS, the City desires to lease said lot to Potter's House as it finds the use proposed by Potter's House is consistent with the Jack's Creek Greenway Park System, including the nearby Veteran's Park, will improve the visual appearance of the neighborhood, will reduce the City's maintenance responsibilities, and will provide needed educational and recreational opportunities for the children served by Potter's House and its affiliates; and

WHEREAS, the City and Potter's House have agreed upon a lease, under which Potter's House will lease the lot for a term of three years, beginning November 1, 2006, with the right to renew the lease for one additional term of three years; and

WHEREAS, in consideration of leasing the lot, Potter's House has agreed to complete the landscaping, make certain improvements to, and maintain the lot in compliance with the Code of Ordinances of the City of Washington, including but not limited to zoning and public nuisance; and

WHEREAS, North Carolina General Statute § 160A - 272 authorizes the City to enter into leases up to 10 years upon a resolution of the City Council adopted at a regular meeting after 10 days' public notice; and

WHEREAS, the required notice has been published and the City Council is convened in a regular meeting; and

**THEREFORE, THE CITY COUNCIL OF THE CITY OF WASHINGTON
RESOLVES THAT:**

The City Council hereby approves the lease of the lot owned by the City and described as being the vacant lot located at 401 North Harvey Street to Potter's House of Beaufort County for three years, with Potter's House holding a right to renew for an additional three-year period, and directs the City Manager to execute any instruments necessary to lease said lot.

Adopted this 9th day of October, 2006

s/Judy Jennette
JUDY JENNETTE
MAYOR

ATTEST:

s/Rita A. Thompson
RITA A. THOMPSON, CMC
CITY CLERK

- E. Adopt – Capital project budget ordinance provide funds for extending water lines in the Industrial Park (\$748,000)

**A CAPITAL PROJECT ORDINANCE FOR
WATER LINE EXTENSION
CITY OF WASHINGTON, N.C.
FOR FISCAL YEAR 2006-2007**

BE IT ORDAINED, by the City Council of the City of Washington, North Carolina, that, pursuant to Section 13.2 of Chapter 159 of the General Statutes of North Carolina, the following capital project ordinance is hereby adopted:

Section 1. The project authorized is for the construction to extend county water lines from the county elevated water tank located on Cherry Run Road to the Industrial Park to be financed by grant funds and local match.

Section 2. The officers of this unit are hereby directed to proceed with the project within the terms of the grant agreements.

Section 3. The following amounts are appropriated for the project:

70-90-8000-0400	Professional Services	\$76,600
70-90-8000-0401	Grant Administration	40,000
70-90-8000-4500	Construction	<u>631,400</u>
		\$748,000

Section 4. The following revenues are anticipated to be available to complete this project:

70-90-3480-3300	CDBG Grant	\$336,600
70-90-3470-3000	Rural Center Grant	374,000
70-90-3353-0000	County Contribution	20,570
70-90-3352-0000	City Contribution	<u>16,830</u>
		\$748,000

Section 5. The Finance Officer is hereby directed to maintain within the Capital Project Fund sufficient specific detailed accounting records to satisfy the requirements of the grant agreements.

Section 6. Funds may be advanced from the Water Fund for the purpose of making payments as due. Reimbursement requests should be made to the grant agencies in an orderly and timely manner.

Section 7. The Finance Director is directed to report, on a monthly basis, on the financial status of each project element in Section 3 and on the total grant revenues received or claimed.

Section 8. The Budget Officer is directed to include a detail analysis of past and future costs and revenues on this capital project in every budget submission made to the City Council.

Section 9. Copies of this capital project ordinance shall be furnished to the City Clerk, and to the Budget Officer, and to the Finance Director for direction in carrying out this project.

Section 10. All ordinances or parts of ordinances in conflict herewith are hereby repealed.

Section 11. This ordinance shall become effective upon its adoption.

This the 9th day of October, 2006.

s/Judy Jennette
JUDY JENNETTE
MAYOR

ATTEST

s/Rita A. Thompson
RITA A. THOMPSON, CMC
CITY CLERK

- F. **MOVED TO V.I.A. 5.** Adopt – Grant Project Budget Ordinance for CDBG Project #05-C-1490 – Keysville Road Subdivision (\$250,000)

CHRIS FURLOUGH – UPDATE ON SOMERSET

Mr. Chris Furlough, developer of Somerset Subdivision, appeared before Council to thank the city staff for working with him, which includes the Fire Department, Water & Sewer, Planning, Inspections, and Electric on his project. He stated he is in the final stages of getting permits for the first block of townhouses. He stated he is doing a lot of pre-selling. There will be 52 units with 21 being patio homes. There will be sidewalks and front streetscapes which promotes pedestrian interaction throughout the community.

Council discussed that there is only one entrance and one emergency exit at Thomas Place for Fire and Police. Mr. Smith stated that Council might want to reverse that decision because of Smart Growth.

Mr. Furlough stated that drainage is a big issue, and they are diverting a lot of water. Typically a neighbor in Smallwood who had water is already better so it is a positive thing.

Mr. Furlough also requested that the City Council allow the Fire Chief to issue him a permit to finish the burning of debris, on a 30 day basis. The reason for the request is that the burning depends upon the weather conditions, wind and dryness and/or wetness, and can be weeks before it can be burned.

Fire Chief Jimmy Davis stated that Mr. Furlough was given a 90 day permit, but he was held off during the spring because of wind conditions, etc. He stated this is something Council has allowed in the past.

Councilman Jennings stated that Smallwood residents have had no problem with it; maybe we could just extend it another 90 days.

Mr. Franz Holscher, City Attorney, stated that this type of special thing might need to be included in the ordinance. Chief Davis stated that we will probably get more requests when Highway 17 comes through.

Councilman Gibson stated that we need to look at this on a case by case basis.

After discussion, on motion of Councilman Jennings, seconded by Councilman Gahagan, Council unanimously granted Chris Furlough a 90 day permit to burn debris at Somerset Subdivision, upon consultation with the Fire Department on the appropriate days to burn the debris.

**MARK RECKO & JEANNIE SULLIVAN – UTILITY ALLOWANCE FOR
SECTION 8 HOUSING**

Mr. Mark Recko, Executive Director of the Washington Housing Authority, explained how the utility allowance works for Section 8 Housing. Rents are set by HUD and published once a year. Those rents are effective December 1 and the Board has the option to increase them by 10% which they have agreed to do. The rent covers utilities also. They pay up to 40% of their income in utilities. Ms. Sullivan stated that it is fair according to utility analysis. Some don't budget their money well and some "make" money.

KEITH HARDT – CUSTOMER SERVICE PROGRAMS

Keith Hardt, Electric Director, reviewed his research on customer service programs of the surrounding electric utilities. The research areas requested were budget billing, extensions, debt agreements, and non-payment disconnects. Utilities surveyed were Tideland EMC; Progress Energy-Carolinas; Greenville Utilities Commission; Town of Belhaven; City of New Bern; Town of Tarboro, and City of Kinston. The City of Washington has budget billing qualifications policy if disconnected for non-payment – "not eligible for 24 months," where the other utility

policies are 12 months. Cut offs are reviewed manually which is 150 to 300 weekly. The amount of \$125,000 is lost annually.

Councilman Jennings asked that Keith look into bringing us in line with everyone else on budget billing.

Council asked Mr. Hardt to e-mail this information to them.

QUARTERLY REPORT – THE GEORGE, DON HARVEY – FAÇADE GRANTS

The George

Mr. Fred Fletcher stated that they had to abandon the idea of penthouse condos. By doing this required them to have to go back to the State for approval, which they received in August. The new plan designs the restaurant and rooftop and will be completed by the end of October. Once that is done, they will re-cost it. He stated they hope to start demolition in December, 2006.

Councilman Jennings stated that he is concerned where we are with the project because we are getting to the end of the grant period. Mr. Fletcher stated we are 60 days away. Mr. Fletcher stated there is an update on their meeting Wednesday. Councilman Jennings asked that a summary be e-mailed to them.

Façade Grants

Mr. Don Harvey, consultant with Wooten & Company, stated there were 14 applications and all but two were approved, Tassels and Turnage Theater. They will be reviewed again and should be no problems.

Turnage Theater

Mr. John Vogt stated that work has commenced at the Turnage Theater. They are looking at next October or November to open the Turnage. The amount of \$1.6 million is needed to open it without a deficit and they are still seeking additional funds.

QUARTERLY REPORT – INDIVIDUAL DEVELOPMENT ACCOUNTS

Ms. Gina Amaxopylos, of the Washington Housing Authority, gave a report on the Individual Development Accounts, which is a program for people to become self sufficient and have a home of their own, three participants in the program now. A marketing campaign was held with 41 meeting the criteria. Two classes were held and 16 graduated.

PUBLIC HEARINGS - ADOPT – ORDINANCE TO AMEND CHAPTER 27, ARTICLE XV. SECTION 27-162, HISTORIC DISTRICT AND COMMISSIONS, OF THE CODE OF ORDINANCES OF THE CITY OF WASHINGTON BY ADDING SECTION 27-162.1 PREVENTION OF DEMOLITION BY NEGLECT OF BUILDINGS AND STRUCTURES IN THE HISTORIC DISTRICT

The Historic Preservation Commission has reviewed the ordinance and it is ready for adoption.

Mayor Jennette stated this is a public hearing.

Mrs. Dee Congleton, speaking for the Washington Area Historic Foundation, spoke in favor of the proposed ordinance because it would increase revenue for the City and improve good economy.

Mrs. Judy Smith, speaking for herself and the Middle School History Club, spoke in support of the proposed ordinance.

Mr. Fred Fletcher, speaking as an individual and local developer, stated this is an important ordinance but it needs some teeth in it to give the City strength to accomplish the goal.

Ms. Doris Moate, speaking as a property owner and resident and as Chairman of DWOV, spoke in favor of the ordinance, but had some questions about some parts of the ordinance. Mr. Holscher asked that she receive the final draft, as the one she was referring to was the initial draft and some of her questions about enforcement have been addressed.

Mr. Skip Major spoke in favor of the ordinance but also voiced his concerns that a large part of the City is left unprotected. He also voiced concern about some of the older residents who would be forced to make repairs and would there be an advocate for them in city government, and not discriminate between residents and businesses.

Mr. Whiting Toler spoke in favor of the ordinance but were also concerned about (1) people who are not financially able to make repairs (2) pay attention to commercial property, and (3) look at the unique and beautiful homes outside the historic district.

Ms. Kathy Almond spoke in favor of the ordinance, showing pictures of deteriorating homes.

Ms. Vickie Dawson commented that her mother owns some homes that would have been gone if she had not saved them, and she is trying to keep them up.

Mayor Jennette closed the public hearing.

The ordinance outlines how to handle individuals who have a hardship. Minimum housing covers areas outside the historic district. A survey was done 18 years ago for the area down Market Street and they did not want to be in the historic district. Another survey can be done. Council agreed to take the comments under advisement and set up a joint meeting with the Historic Preservation Commission within the next two weeks for action on the ordinance at the regular November meeting.

**ADOPT – ANNEXATION ORDINANCE TO EXTEND CORPORATE LIMITS
FOR NON-CONTIGUOUS ANNEXATION OF BEAUFORT COUNTY SCHOOLS
PROPERTY (PS JONES)**

The radio communication issues have not been resolved yet.

Mayor Jennette stated this is a public hearing.

Mr. Doug Mercer spoke against the annexation because there are no benefits derived from the annexation and it would actually cost the City money to annex the property. He commented that some outside rates are cheaper than inside the City rates.

Mr. Wayne Most spoke in opposition of the annexation because it would take more police officers, let the County handle it.

Mayor Jennette closed the public hearing.

After discussion, Councilman Gahagan made a motion to adopt an Ordinance to extend corporate limits for non-contiguous annexation of Beaufort County Schools property (P.S. Jones). Councilman Brooks seconded the motion. Councilman Gibson voted no. –Motion carried by majority vote.

**AN ORDINANCE TO EXTEND THE CORPORATE LIMITS OF THE
CITY OF WASHINGTON, NORTH CAROLINA**

WHEREAS, the Washington City Council has been petitioned under G.S. 160A-58.1 to annex the area described below; and

WHEREAS, the Washington City Council has by resolution directed the City Clerk to investigate the sufficiency of the petition; and

WHEREAS, the City Clerk has certified the sufficiency of the petition and a public hearing on the question on of this annexation was held at the City Council Chambers on the 2nd floor of the municipal building located at 102 East 2nd Street at 6:00 p.m. on Monday, October 9, 2006 after due notice by the Washington Daily News on September 28, 2006 & October 5, 2006;

WHEREAS, the Washington City Council finds that the area described herein meets the standards of G.S. 160A-58.1(b), to wit:

- a. The nearest point on the proposed satellite corporate limits is not more than three (3) miles from the corporate limits of the City of Washington.
- b. No point on the satellite corporate limits is closer to another municipality than to the City of Washington.
- c. The area described is so situated that the City of Washington will be able to provide the same services within the proposed satellite corporate limits that it provides within the primary corporate limits.
- d. No subdivision, as defined in G.S. 160A-376, will be fragmented by this proposed annexation;
- e. ~~The area within the proposed satellite corporate limits when added to the area within all other satellite corporate limits, does not exceed ten percent (10%) of the area within the primary corporate limits of the City of Washington.~~ ***This Standard does not apply to the City of Washington.***

WHEREAS, the Washington City Council further finds that the petition has been signed by all of the owners of real property in the area who are required by law to sign; and

WHEREAS, the Washington City Council further finds that the petition is otherwise valid, and that the public health, safety and welfare of the City of Washington and of the area proposed for annexation will be best served by annexing the area described;

NOW, THEREFORE, BE IT ORDAINED by the City Council of the City of Washington,

North Carolina that:

Section 1. By the virtue of the authority granted by G.S. 160A-58.2, the following described non-contiguous territory is hereby annexed and made part of the City of Washington as of December 31, 2006:

LYING AND BEING in Washington Township, Beaufort County, North Carolina, and more particularly described as follows:

Beginning at an iron pipe set located on the Western edge of the right of way of SR 1422 (Market Street Extension), said point of beginning being located as follows: From a point located at the centerline of the intersection of SR 1422 (Market Street Extension) and SR 1515 (Gallberry Road), running thence along said centerline of SR 1422 North 20 degrees 49' 40" West 1,092.88 feet to a PK nail set located in the centerline of SR 1422, running thence South 68 degrees 40' 51" West 50.00 feet to the point of beginning. From said point of beginning so located thence South 68 degrees 40' 51" West 430.63 feet to an iron pipe set, thence South 62 degrees 36' 20" West 1,255.40 feet to an iron pipe set, thence North 79 degrees 17" 25" West 22.41 feet to an iron pipe set, thence along the line of Warren, reference Deed Book 960. Page

669, Beaufort County Registry, South 61 degrees 38' 51" West 830.88 feet to an iron pipe set in an existing iron, thence along the line of Alligood, reference Deed Book 95E, Page 257, Beaufort County Registry, South 64 degrees 17' 01" West 839.05 feet to an existing rebar, thence along the line of Funkhouser, reference Deed Book 1267, Page 951, Beaufort County Registry, North 25 degrees 44' 01" West 1,013.04 feet to an existing rebar set located in the centerline of Cherry's Run, thence along the centerline of Cherry's Run, those string bearing course and distances as more particularly set forth in that survey map referred to below, denominated L1 through L27, said string bearing distances being incorporated herein, to an existing iron pipe, the corner of the Grantor, reference Deed Book 1421, Page 848, Beaufort County Registry, thence along the line of Grantor South 21 degrees 06' 20" East 626.09 feet to an existing iron pipe, the corner of Martha M. Stancil, reference Deed Book 1421, Page 843, Beaufort County Registry, thence North 68 degrees 55' 06" East 394.50 feet to the point of beginning, and containing 88.671 acres, more or less, and being that identical property described in that map of survey entitled "Beaufort County Board of Education", dated January 5, 2005, said survey being recorded in Plat Cabinet G, Slide 48-1, Beaufort County Registry, reference is to which is hereby made for a more complete and adequate description hereof.

Section 2. Upon and after December 31, 2006, the above described territory and its citizens and property shall be subject to all debts, laws, ordinances and regulations in force in the City of Washington and shall be entitled to the same privileges and benefits as other parts of the City of Washington. Said territory shall be subject to municipal taxes according to G.S. 160A-58.10.

Section 3. The Mayor of the City of Washington shall cause to be recorded in the office of the Register of Deeds of Beaufort County, and in the office of the Secretary of the State in Raleigh, North Carolina, an accurate map of the annexed property, described in Section 1 above, together with a duly certified copy of this ordinance. Such a map shall also be delivered to the County Board of Elections, as required by G.S. 163-288.1.

Adopted this 9th day of October, 2006.

s/ Judy Jennette
JUDY JENNETTE
MAYOR

ATTEST:

s/Rita A. Thompson
RITA A. THOMPSON, CMC
CITY CLERK

Annexation #06-A-04
Beaufort County Schools (PS Jones)

**ADOPT – A MORATORIUM ON ANY ROOFTOP DEVELOPMENT PROPOSED
FOR THE B1-H (BUSINESS HISTORIC) DISTRICT**

Bobby Roberson stated that our current guidelines do not address rooftop additions. Revisions to the guidelines will be ready in January.

Mayor Jennette stated this is a public hearing.

Mr. Fred Fletcher, speaking from a developer's point of view, commented that it is more than an additional floor. Rooftops are very, very costly, but rooftops are looked at to generate new revenues and are a true economic value that will foster investments.

Mayor Jennette closed the public hearing.

Mayor Pro tem Woolard made a motion to accept the recommendation of the Historic Preservation Commission and adopted an Ordinance placing a moratorium on any development

for rooftop additions, expansions, or renovations located inside the B1-H (Business Historic) Zoning District for a period of ninety (90) days. Councilman Jennings seconded the motion. Councilman Gibson voted no. -Motion carried by majority vote.

ORDINANCE

WHEREAS, Cities may adopt temporary moratoria on any city development approval process required by law, as provided by NCGS 160A-381(e), and;

WHEREAS, the development moratorium is proposed to be more than 61 days and is therefore subject to the notice and hearing requirements established under NCGS 160A-364, and;

WHEREAS, any ordinance establishing a development moratorium must expressly include at the time of adoption certain statements and information:

Statements of Fact
City of Washington Moratorium
Development of Rooftop Additions in the
B-1H (Business Historic) District

1. Statement of the problems or conditions necessitating the moratorium.

- a. In January 2003, the City of Washington's Historic Preservation Commission began an update process on the Historic Preservation Design Guidelines.
- b. As of March 2005, the City of Washington Historic Preservation Commission and the Washington City Council adopted the completed update of the Historic Preservation Design Guidelines. The guidelines provide a framework for review, systemize the decision-making process and helps the commission function more efficiently.
- c. The historic district has received increasing requests for rooftop development in the historic district. The updated Historic Preservation Design Guidelines failed to provide specific design review requirements for those types of development.
- d. There is no alternative to the imposition of a temporary moratorium on rooftop development in the B1-H Zoning district in order to establish a policy for the additional protection of historic properties. Therefore, no alternatives were considered.

2. Statement of the development approvals subject to this moratorium.

- a. This moratorium will apply to all parcels of property, as shown on the City of Washington official zoning map effective as of September 1, 2006, that are designated as being located within the B1-H (Business Historic) Zoning District. This moratorium shall not apply to any project for which a valid building permit issued pursuant to NCGS 160A-417 is outstanding; to any project for which a conditional use permit application or special use permit application has been accepted by the City of Washington; to development approved pursuant to NCGS 160A-385.1; to development for which substantial expenditures have already been made in good faith reliance on a prior valid administrative or quasi-judicial permit or approval, or to preliminary or final subdivision plats that have been accepted for review by the City prior to the call for public hearing to adopt the moratorium. Any preliminary subdivision plat accepted for review by the City prior to the call for public hearing, if subsequently approved, shall be allowed to proceed to final plat approval without being subject to the moratorium.
- b. The imposition of a moratorium on the development of rooftop additions **does not** restrict the sale of property in the historic district, require design approval of interior change or alterations, prevent new construction within historic areas, or restrict design approval for ordinary repair or maintenance of historic structures.

- c. The imposition of a moratorium on the development of rooftop additions in the B1-H District will allow the City time to prepare and adopt a design review policy to regulate such development.
3. Date and time for moratorium termination

This moratorium will terminate at 12:00 pm, January 8, 2007. The duration of this moratorium is necessary to allow time for the City of Washington's Historic Preservation Commission to complete the revision to the 2006 Historic Preservation Design Guidelines. Any future development of rooftop additions must be coordinated with these guidelines.

4. Schedule

The following dates provide for the schedule of actions, which are to be followed by the City of Washington during the duration of the moratorium to address the problems/conditions leading to imposition of this moratorium:

- a. October 2006 – The Washington City Council will impose a moratorium on rooftop additions in the B-1H (Business Historic) Zoning District.
- b. November 2006 to December 2006 – The City of Washington will contract with a consultant to prepare design review requirements for rooftop additions in the B1-H District. The local historic commission will carefully complete its review of the revisions to the design guidelines.
- c. January 2007 – The City of Washington Historic Preservation Commission will advertise and hold a public hearing to consider proposals for design guideline changes.
- d. January 2007 – The Washington City Council will hold a public hearing to consider adoption of the guidelines for rooftop additions in the historic district.

Now Therefore Be It Ordained That:

The City of Washington finds the moratorium necessary in order to provide time for the local Historic Preservation Commission time to carefully complete its review of the proposed revisions of the Historic Preservation Design Guidelines concerning the development of rooftop additions in the B1-H Zoning District. The moratorium is imposed to provide a period in which the consideration of the revisions can occur free of concern about potential damage to historic properties.

Adopted this 9th day of October, 2006

s/Judy Jennette
JUDY JENNETTE
MAYOR

ATTEST:

s/Rita A. Thompson
RITA A. THOMPSON, CMC
CITY CLERK

**PROPOSED – WASHINGTON REDEVELOPMENT PLAN FOR THE
DOWNTOWN REVITALIZATION PROJECT AREA AND FORWARD THE
PLAN TO THE PLANNING BOARD FOR THEIR RECOMMENDATION AND
CERTIFICATION**

Mayor Jennette stated this is a public hearing.

There was no one present to speak.

Mayor Jennette closed the public hearing.

On motion of Councilman Jennings, seconded by Mayor Pro tem Woolard, Council unanimously agreed to forward the Washington Redevelopment Plan for the Downtown Revitalization Project to the Planning Board for their recommendation and certification in accordance with G.S. 160A-513(f).

COMMENTS FROM THE PUBLIC

There were none.

Council took at break at 7:20 p.m. and reconvened at 7:30 p.m.

TOURISM DEVELOPMENT AUTHORITY

Mayor Jennette reported that the Tourism Development Authority has been discussing the non-profit rate for rental of the Civic Center. Currently the rates will remain the same, but next year fiscal will be different.

HUMAN RELATIONS COUNCIL

Mayor Jennette stated that Mike Voss gave a presentation to the Human Relations Council on “Men Who Cook,” which was very good.

DOWNTOWN WASHINGTON ON THE WATERFRONT

Mayor Jennette stated that Joey Toler had left the meeting.

PARKING COMMITTEE

Councilman Jennings stated that bigger towns are the ones who have Parking Authorities; however, he has been contacted by the Chamber to take up the parking issue so the Parking Committee will reconvene and invite them for their input.

WARREN FIELD AIRPORT

Mr. Smith stated that the committee to review the RFPs will meet on Thursday at 11:00 a.m. The committee members are: Mayor Judy Jennette, Patrick Nash, Chris McLendon, City Manager Jim Smith, Councilman Richard Brooks, and City Attorney Franz Holscher.

**APPOINTMENT – OF DELEGATE AND ALTERNATE VOTING DELEGATE
AT NCLM MEETING IN GREENSBORO**

Council appointed Councilman Brooks as the Voting Delegate at the NCLM meeting in Greensboro, NC, and Jim Smith as Alternate.

QUARTERLY REPORT – CAMA – COMPREHENSIVE PLAN

Mr. Roberson reported that the CAMA plan will be received in November and will move forward for adoption in 2007. The Comprehensive Plan is running thirty days behind due to the lack of a quorum of the Planning Board. The Planning Board will have a special meeting on October 18th.

**ADOPT GRANT PROJECT BUDGET ORDINANCE TO PROVIDE FUNDS FOR
EXTENDING WATER LINES IN THE INDUSTRIAL PARK**

The City received notification that it has been awarded a grant in the amount of \$250,000 for Rev. David Moore's Keysville Road Subdivision project. Funding for this grant needs to be appropriated.

On motion of Councilman Gahagan, seconded by Councilman Brooks, Council unanimously adopted a Grant Project Budget Ordinance in the amount of \$250,000 for the CDBG Project #05-C-1490 – Keysville Road Subdivision.

**A GRANT PROJECT BUDGET ORDINANCE FOR
KEYSVILLE ROAD SUBDIVISION
CITY OF WASHINGTON, N.C.
FOR FISCAL YEAR 2006-2007**

BE IT ORDAINED, by the City Council of the City of Washington, North Carolina, that, pursuant to Section 13.2 of Chapter 159 of the General Statutes of North Carolina, the following grant project ordinance is hereby adopted:

Section 1. The project authorized is for the Community Development Block Grant for Keysville Road Subdivision to be financed by grant funds and #05-C-1490.

Section 2. The officers of this unit are hereby directed to proceed with the project within the terms of the grant agreements.

Section 3. The following amounts are appropriated for the project:

51-60-4930-0400	Grant Administration	\$20,000
51-60-4930-4500	Street Improvements	92,671
51-60-4930-4501	Water Improvements	48,665
51-60-4930-4502	Sewer Improvements	28,664
51-60-4930-7100	Acquisitions	<u>60,000</u>
		\$250,000

Section 4. The following revenues are anticipated to be available to complete this project:

51-60-3480-3300	CDBG Grant	\$250,000
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Section 5. The Finance Officer is hereby directed to maintain within the Grant Project Fund sufficient specific detailed accounting records to satisfy the requirements of the grant agreements.

Section 6. Funds may be advanced from the General Fund for the purpose of making payments as due. Reimbursement requests should be made to the grant agencies in an orderly and timely manner.

Section 7. The Finance Director is directed to report, on a monthly basis, on the financial status of each project element in Section 3 and on the total grant revenues received or claimed.

Section 8. The Budget Officer is directed to include a detail analysis of past and future costs and revenues on this grant project in every budget submission made to the City Council.

Section 9. Copies of this grant project ordinance shall be furnished to the City Clerk, and to the Budget Officer, and to the Finance Director for direction in carrying out this project.

Section 10. All ordinances or parts of ordinances in conflict herewith are hereby repealed.

Section 11. This ordinance shall become effective upon its adoption.

This the 9th day of October, 2006.

s/Judy Jennette
JUDY JENNETTE
MAYOR

ATTEST:

s/Rita A. Thompson
RITA A. THOMPSON, CMC
CITY CLERK

REPORT – LONG RANGE PLAN & MERGER PRO-CON DOCUMENT

Julie Hicks, Brown Library Director, have a power point presentation on the Long Range Plan. Council also received a pro-con document with the Long Range Plan of service. The study began in fall of 2005 and pointed out ways to streamline and serve the community better. She gave a background of how the Library serves the needs of the community. The power point presentation “Connecting Yesterday’s Treasures and Today’s Needs with Tomorrows Dreams” outlined the goals.

Council discussed the need to find other sources of funding for the library, that it cannot continue to operate as it is. Mayor Jennette asked staff to find out how much state aid BHM would lose if we don’t contribute City funds. If we merge, how much more money does that mean? Council agreed that the City Council, the Library Board of Trustees and a State Representative should meet.

DISCUSSION – STRUCTURAL INTEGRITY OF THE BROWN STREET BRIDGE

Allen Lewis, Public Works Director, gave a report to Council on the deteriorating status of the Brown Street Bridge. The piles supporting end abutments are deflecting toward the stream causing settling of the roadway approaches. The lowering of the weight limit on the bridge from 19 tons to 5 tons is required. An estimate for repairs from DOT has been requested and will be brought back to Council.

Council agreed to close the bridge temporarily.

PRESENTATION – ELECTRIC SHORTFALL

Mr. Dwight Davis, of Booth & Associates, discussed the City’s electric shortfall. He passed out three schedules for Council to review. He said they were asked in August to look at the revenues, power costs and budgeted expenditures and provide a recommendation on what needs to be done. Staff and City Manager realized there is a gap. A gap was found of \$1.6 million in the current year budget, and a gap of \$1.2 million existed last year as well. Last year’s gap was met by a transfer of reserves which unfortunately are no longer available. A report was provided in mid September and this past week, Keith provided additional information about revenue, billings for this FY and the collections. Mr. Davis stated he had noticed since July there was a larger gap between what is being billed and what is actually being collected. Over and above the \$1.6 million found, there is also a cash flow situation and staff is trying to find out where that is coming from. It appears there has been a stretching out of meter readings, billings and collections in the monthly cycles in the early part of the fiscal year which has added about a week to that process and amounts to in excess of \$500,000 of cash collections. Unless this gap is shortened back up, there will be another budgetary requirement to consider in addition to the \$1.6 million.

Mr. Davis stated that looking at the details, electric sales on Schedule 1 is \$31 million, plus \$1.7 million in miscellaneous revenues giving a total of electric fund revenue at \$32.8 million. Purchase power and load management credits is at about \$25.5 million just to pay power costs. The rest of the budget of \$9 million is other operating expenses giving a total of \$34.5 million, which is what you have anticipated to spend and you have about \$32.8 million in revenues. The gap is the \$1.6 million. The next schedule shows what happened as far as cash collections. In July, about \$3.1 million was billed and \$2.3 million collected, which is normal but nearly this large. In the last two years, the gap was \$155,000 and \$176,000. The point is the gap is much larger than normal. He stated that gap is not getting larger so what happened is not compounding, but you still have a cash flow issue to deal with and it amounts to stretching out of that billing process of a week. Those are the issues identified.

Councilman Gahagan said he was curious of how the \$1.6 million happened. Councilman Jennings said we have identified we are missing \$500,000 but have not identified *why* we are missing \$500,000 and that's not identification. Mr. Davis stated that the identification is that you have the gap, where it is coming from has not been identified. Councilman Gahagan asked if extending the 10 days to 15 days would have had anything to do with it. Mr. Hardt answered that it could be part of that but he doesn't know how much. It pointed out that if you pay in May it is booked as May revenue. Power usage caused bills to go up. Councilman Jennings asked when the gap narrows, this is a lag and that would be caught up. When we are not in those peak months, the gap widens. We have a system where we charge for what people use and he doesn't understand how we got so out of whack.

Councilman Gibson stated that if you buy a certain number of kilowatt hours wholesale and sell it retail and you don't have a margin sufficient enough in there to take care of operating expenses plus putting some away for a rainy day...that's the bottom line. That was not done in this budget process.

Mr. Smith stated that the last rates set in January were not sufficient enough to close that gap. Last year we ended up the year with a \$1.2 million deficit and it was covered by transferring economic development funds into this year.

Councilman Jennings stated that he recalls that not only did we not know there was a gap, but we anticipated the problem with increased energy costs. We made an increase sufficient to cover cost and it was deemed it could go down if this was a spike in energy. Councilman Gibson stated that we specifically talked about coal which is in contrary to this verbage that it was not significant. Why hasn't coal gone down?

Mr. Smith stated that very little of our power is priced on a cost of fuel basis, our biggest expense is debt service. Councilman Gibson stated that we were told that this fossil fuel charge was due to a coal increase. Mr. Davis stated that the rates were increased in May 2005 and January 2005 primary because of fuel costs. Supplemental power is purchased from Progress Energy. Those fuel costs have affected prices.

Councilman Gibson asked Mr. Davis if they were consulted during the budget process? Mr. Davis stated they prepare reports about revenue and power costs, but don't reconcile all revenues and expenditures.

Mayor Jennette stated that other cities were raising their rates higher than us.

Mr. Smith stated that the shortfall is we're paying more for power than what we're selling it for. He pointed out that as of May, the deficit was \$18,000; in June the deficit was \$547,000 and in July the deficit was \$675,000 which took you from \$18,000 to \$1.2 million cumulative in that short period of time.

Councilman Jennings stated that in January when we were making the increase, our deficit was almost \$500,000. Mr. Smith stated the fund ran around \$370,000 net deficit. In February it was \$125,000 positive, March \$183,000 positive, April \$125,000 positive and wasn't until we hit May and June that something happened. It is not all in the non-power costs. Councilman Gibson stated that we bought a million dollars worth of more power than we

budgeted and all those kilowatt hours were at a loss in effect. Mr. Smith said he was right. Two issues that need to be covered is the shortfall in what we are paying for power and what we are selling it for, that's \$1.6 million. The other is if you look at page 3 of the handout from Booth, cash flow dropped by \$785,000, the difference between billed and collected. A combination of issues has occurred...the extended payment period for five days. Unless somehow people catch up, we don't have that money to pay the bill. Councilman Gibson stated it is money in the bank; we are just late collecting it. Mr. Smith stated that the Power Agency wants us to pay them and we are short three quarters of a million dollars to pay the bill. Somehow that money has to be collected.

Councilman Gahagan asked how we can do better estimating our revenues. Mr. Davis stated that Booth & Associates estimated revenues and the power costs pretty closely, and the gaps between those have been pretty stable. Councilman Gahagan asked if we are spending more money than budgeted. Mr. Smith stated that we carried forward a net deficit. Obviously in 2005-06, rates were too low and that was covered by a transfer from fund balance. Councilman Gahagan stated that is the first time he heard that; Mayor Jennette stated she would like to see the minutes we discussed that. Ms. Williams stated that was in January, 2006. Mr. Smith stated he doesn't recall that magnitude of deficit (it was his first meeting).

Councilman Jennings stated that he is not voting for a rate increase to eliminate a problem we do not understand. Mr. Smith stated that the answer to that is we are not collecting enough money to pay the bills. Councilman Jennings stated they were told "because of the use of power over the summer unforeseen that is what we have some sort of shortage." Now its we're spending more money, it might be some cycle thing, etc.

Mr. Smith stated we need to look at how much power we are purchasing, selling, look at software and look at brackets, not just across the board increases. We're giving discounts to higher users and need to look at that, but in the meantime we need to pay the bill. The money that is coming from the sale of the Moss property should carry us through this month.

Councilman Gahagan stated he is flabbergasted. Councilman Jennings stated we need to find out what it is. Mr. Smith stated that if we wait the increase will be higher. Booth & Associates has projected an increase of 5.25%. If we wait, we will need an 8% increase.

Mayor Pro tem Woolard stated we are burdening the taxpayers again. Councilman Gibson stated we need to look at operating expenses. Mr. Smith stated that we could delay investments, such as the new substation, but that again causes us to sell less than the power purchased. Councilman Gahagan stated we're not talking about putting off capital expenses, but we are having a hard time to come to realization that we have been selling power at a loss?

Councilman Jennings stated at a loss but not based on the cost of power. Something is in the works that is frowning things up. Mr. Smith stated the two issues are: (1) operating revenues vs operating expenses and (2) cash flow problem for whatever reasons. Mr. Davis pointed out there is \$2.2 million in this budget for capital.

Councilman Gahagan stated he can meet any day that this is more important than anything. Mr. Smith stated that the high bills of the summer are over which is good. Councilman Jennings asked if it is his understanding that we would have operated at a net loss unless the amount of the reserve fund that we moved back to the Electric Fund? Mr. Smith stated we have not had time to go back to prior years but he thinks we have been operating at a loss for two or three years and was covered by transfers from reserves.

Councilman Gahagan asked that we come up with an explanation on how we got here, how long we have been here, how to get this business back profitable again and how to move forward with rate increases and to keep this from happening in the future. Mr. Smith stated that he is not sure we will know in a week any more than we know now. Mr. Hardt stated we need to do something until we find out what drove this, make sure we are going down the right road and try to address the cash flow issue.

Mr. Smith recommended that we have to take in enough money to pay the bills. Based on the projection, we are looking at 5 ¼% power cost adjustment increase across the board and not do the \$250,000 estimated rollback to large users.

Mr. Doug Mercer spoke to Council about the electric rates. Mr. Mercer had reviewed the budget book, stating that we are buying more and selling it for less (referring to power). There was an increase in rates and a decrease in sales. Mr. Mercer stated that sales of electricity for this year were estimated at \$31,755,000; purchase for electricity was estimated at \$24,481,000. The difference is 29.7%. Looking at the agenda, the projections are for \$31,100,000 for sales and for purchasing is \$25,495,000, which sends red flags up. It must be in the methods you use to calculate the increase. The margin was 29.7%, the margins on the projections 22.4%, or a 7.2% difference. He asked why in the budget we used 29.7% and using only 22.4% in these projections? The difference is approximately \$600,000. Subtract that from \$1.6 million and take the \$1 million transferred from the Moss property leaves a \$600,000 differential. Then the problem is not as bad as it appears to be. However, in reading the write up, it says by the end of October we will have spent that million dollars too so the problem is bigger. You're projecting a 16% loss of revenue because of late payments. There must be a lot of dark houses; if you're short \$1 million, somebody has had their electricity cut off. If they haven't you are not doing your job. If that 22% is the right number, then somebody really screwed up at budget time. I assume Carol can tell you how much power cost you last year and how much you sold it for and give you the margin down to the one hundredth of a cent. If she gave you the 29.7% then you should have a long conversation with Carol. If Carol didn't give you that number and Keith generated that number, then you need to have a real long conversation with Keith. If Keith nor Carol didn't do it, Mr. Smith must be the guilty party so you need to have a long conversation with Mr. Smith. Regardless, there has been a major budget screw-up here. You're asking the electric rate holders in Washington to absorb a 14.41% rate increase because you increased them 8.7% in January. The rollback will affect most of us. He asked Council to not go on an "average" increase. He said Mr. Smith said we might have to look at 8%+, that could be 17% increase in ten months. He asked someone to step up to the plate and say they screwed up.

Councilman Gahagan asked when a report can be expected back on the problem? Mr. Smith stated that we need more than 30 days, more like 90 days. Mr. Davis stated that in 30 days he can get answers to the basic questions, it will 90 days for restructuring.

Councilman Jennings reiterated that he will not vote for anything he does not know what he is voting for. That what he is hearing is let's raise revenue and find out down the road why, and he can't do that.

Mr. Davis stated that assuming the Council dealt with the cash flow issue tonight and eliminated the rollback, they don't have to act on the wholesale power cost adjustment. Within 30 days you can confirm what is appropriate for the rest of this fiscal year. In 90 days you can come up with a complete power cost study (January meeting).

After discussion on motion of Councilman Gibson, seconded by Councilman Brooks, Council agreed to do only the rollback. Councilman Jennings and Councilman Gahagan voted no. Motion carried by majority vote.

Councilman Gahagan requested to see the last five years projection figures.

**ADOPT – BUDGET ORDINANCE AMENDMENT FOR GENERAL FUND
(\$1,193,505)**

On September 18, 2006, the Moss Property Partners, LLC paid off their outstanding note, in the amount of \$1,190,000 on the Moss Property. The funding for the original purchase of this property by the City was transferred from the Electric Fund to the General Fund. Therefore, it was agreed that when the property was sold that the funding received for the property would be transferred back to the Electric Fund from the General Fund. (the City Attorney is currently holding \$240,000 of the payoff amount of \$1,193,504.72 in escrow account, pending the receipt of the final paperwork for all permits with regard to the Marina.

On motion of Councilman Gahagan, seconded by Councilman Brooks, Council unanimously adopted a budget ordinance amendment in the amount of \$1,193,505 for the General Fund.

**AN ORDINANCE TO AMEND THE BUDGET ORDINANCE
OF THE CITY OF WASHINGTON, N.C.
FOR THE FISCAL YEAR 2006-2007**

BE IT ORDAINED by the City Council of the City of Washington, North Carolina:

Section 1. That the Estimated Revenues in the General Fund be increased in the amount of \$1,193,505 in the account Sale of Fixed Assets, account number 10-00-3835-8200.

Section 2. The account number 10-00-4400-3500, Transfer to Electric Fund, Miscellaneous Non-Departmental portion of the General Fund appropriations budget be increased in the amount of \$1,193,505 to provide funds for repayment of previously borrowed funds.

Section 3. All ordinances or parts of ordinances in conflict herewith are hereby repealed.

Section 4. This ordinance shall become effective upon its adoption.

Adopted this the 9th day of October, 2006

s/Judy Jennette
JUDY JENNETTE
MAYOR

ATTEST:

s/Rita A. Thompson
RITA A. THOMPSON, CMC
CITY CLERK

CLOSED SESSION – UNDER G. S. 143-318.11 (a)(6) PERSONNEL

At 10:10 p.m., on motion of Mayor Pro tem Woolard, seconded by Councilman Jennings, Council unanimously agreed to go into closed session under G. S. 143-318.11(a)(6) Personnel.

At 10:25 p.m., on motion of Mayor Pro tem Woolard, seconded by Councilman Brooks, Council unanimously agreed to come out of closed session.

MAYORS ASSOCIATION MEETING

Mayor Jennette invited Council members to attend the Mayors Association Meeting on Thursday, October 18th at Flairs by Sharon.

CHANGE REGULAR MEETING DATE

Since November 13th is Veterans Day, Council agreed to change the regular meeting date from November 13th to November 14th.

On motion of Mayor Pro tem Woolard, seconded by Councilman Jennings, Council unanimously adjourned the meeting until Monday, October 23, 2006 at the Bradford Creek Golf Course for a joint meeting with the Greenville City Council.

Rita A. Thompson, CMC
City Clerk